

MAY 13, 1997

PUBLIC UTILITIES COMMISSION  
Generic Inquiry into the Development of  
the Natural Gas Industry and the Provision  
of Various Natural Gas Services in Maine

NOTICE OF INQUIRY

WELCH, Chairman; NUGENT, HUNT, Commissioners

---

The Commission recently ordered the only gas Local Distribution Company (LDC) operating in Maine to file a proposal to unbundle its rates. We are also aware of proposals to construct two major interstate gas transmission lines through the State, a proposal to construct a liquid natural gas storage facility, and a number of recent requests for approvals to furnish gas service in currently unserved parts of Maine. It appears the State may soon experience a significant expansion in its natural gas infrastructure, and the Commission wants this infrastructure to expand in the most efficient manner possible.

LDCs have traditionally provided bundled service to gas customers. The Commission would like to explore, however, whether LDCs should be required to provide distribution services only, with the merchant function left to unregulated energy marketing companies. We seek comment on whether such an approach could speed the development of the gas distribution system, obviate the need for later unbundling proceedings, and reduce the possibility of future stranded cost proceedings for newly formed local distribution companies. The Commission opens this inquiry to explore whether such an approach is feasible, and specifically seeks comment on the following issues:

1. Economies of Scale and Scope: Would the economic development of new transportation-only LDC systems be hampered by the lack of close coordination between the marketing and distribution planning functions present in a bundled utility? Is it reasonable to expect that the distribution facilities of such a company would be sized to accommodate future load growth?
2. Allocation of Functions: Which of the functions currently provided by local distribution companies would be better provided by competitive marketing companies and which should remain with a regulated distribution company?
3. Distribution Rate Design: What type of rate design would most effectively encourage future infrastructure development for transportation-only gas utilities?
4. Metering and Billing Service: How would individual customer consumption be measured in such a service territory? Who should own and operate the meters? What is the most efficient way to provide billing services?

5. Scheduling and Balancing: Who should be responsible for the scheduling and balancing functions in such an environment?
6. Obligation to Serve: What type of obligation to serve (if any) should exist for a company that provides distribution-only service? What obligation to serve, if any, should exist for competitive energy providers?
7. Cost of Gas Adjustment: If all future LDCs provide transportation-only services, is there any need for semiannual cost of gas adjustment proceedings?
8. Consumer Rights Issues: What type of standards or safeguards are necessary to ensure adequate levels of consumer protection?
9. Affiliated Interests: Should marketers that are affiliated with the distribution company be allowed to operate in the distribution company service territory? If so, what type of safeguards should be put in place to assure there is no advantage to the affiliated marketing company?
10. Other: We invite parties to raise and discuss other relevant issues.

We invite interested persons to file comments or answers to the above questions. An original and six copies of comments should be filed with the Administrative Director, Maine Public Utilities Commission, 18 State Houses Station, Augusta, ME 04333-0018 by June 17, 1997. Following review of those comments, we will decide whether to commence a rulemaking.

Accordingly, we

O R D E R

1. That an inquiry into the development of the natural gas industry and the provision of various natural gas services in Maine be opened; and
2. That notice shall be given to all persons who have participated in natural gas distribution utility proceedings before the Commission in the last year, natural gas pipeline companies, and energy and natural gas marketing companies.

Dated at Augusta, Maine, this 13th day of May 1997

BY ORDER OF THE COMMISSION

---

Dennis L. Keschl  
Acting Administrative Director

COMMISSIONERS VOTING FOR: Welch  
Nugent  
Hunt